



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# CITY OF DE SOTO, KANSAS

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FINANCIAL STATEMENT  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2014

CITY OF DE SOTO, KANSAS  
FINANCIAL STATEMENT  
WITH SUPPLEMENTARY INFORMATION  
REGULATORY BASIS

Year Ended December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of De Soto, Kansas:

### **Report on the Financial Statement**

We have audited the summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of De Soto, Kansas (the City) as of and for the year ended December 31, 2014 and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 2 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 2.

## Other Matters

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

*Berberich Trahan & Co., P.A.*

June 29, 2015  
Topeka, Kansas

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CITY OF DE SOTO, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND  
UNENCUMBERED CASH  
REGULATORY BASIS

Year Ended December 31, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General fund	\$ 778,584	\$ -
Special purpose funds:		
Law enforcement	35,085	-
Special highway	4,921	-
Special parks and recreation	3,146	-
Transient guest tax	15,086	-
Sponsorship	4,730	-
Water development fee	59,708	-
Sewer development fee	66,750	-
Electric utility investment	1,641,459	-
Enhancement community fountain	990	-
Bond and interest fund	692,331	-
Capital project funds:		
Capital projects	40,047	-
Capital improvements	1,036,968	-
CDBG	-	-
Business funds:		
Water system	391,573	-
Sewer system	178,266	-
Refuse system	34,431	-
Shop	(2,890)	-
Shughart trust fund	23,114	-
Total reporting entity (excluding agency fund)	\$ 5,004,299	\$ -

See accompanying notes to financial statement.

Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ 2,925,811	\$ 2,931,266	\$ 773,129	\$ 46,295	\$ 819,424
420,526	434,611	21,000	106,903	127,903
152,472	154,000	3,393	-	3,393
25,592	24,000	4,738	-	4,738
18,129	22,000	11,215	-	11,215
7,075	937	10,868	-	10,868
22,000	35,000	46,708	-	46,708
39,800	60,000	46,550	-	46,550
75,149	102,446	1,614,162	-	1,614,162
-	-	990	-	990
1,341,073	1,445,910	587,494	-	587,494
34,360	20,000	54,407	-	54,407
602,449	1,286,801	352,616	-	352,616
87,179	87,179	-	-	-
1,355,070	1,324,110	422,533	5,000	427,533
460,728	414,101	224,893	9,671	234,564
417,437	424,215	27,653	447	28,100
171,200	175,688	(7,378)	7,399	21
50	-	23,164	-	23,164
<u>\$ 8,156,100</u>	<u>\$ 8,942,264</u>	<u>\$ 4,218,135</u>	<u>\$ 175,715</u>	<u>\$ 4,393,850</u>

Composition of cash

Great American Bank:	
Checking accounts	\$ 105,163
ICS (insured cash sweep)	909,345
Certificates of deposit	3,023,698
Tri-Century Bank - checking account	289,287
Great Southern Bank - checking account	83,647
Kansas Municipal Investment Pool	14
Total cash	4,411,154
Agency fund per Schedule 3	(17,304)
Total reporting entity (excluding agency fund)	<u>\$ 4,393,850</u>



CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT

December 31, 2014

1 - Municipal Financial Reporting Entity

The City of De Soto, Kansas (the City) is a municipal corporation governed by a mayor and five-member council. The financial statement presents the City as the primary government. The City has no related municipal entities.

2 - Summary of Significant Accounting Policies

(a) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

(b) Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(b) Regulatory Basis Fund Types (Continued)

The following regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2014:

General Fund is used to account for the general operations of the City and is used to account for all unrestricted resources except those required to be accounted for in other funds.

Special Purpose Fund is used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund is used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund is used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds are financed in whole or in part by fees charged to users of the goods or services.

Trust Funds are used to report assets held in trust for the benefit of the municipal financial reporting entity.

Agency Funds are used to report assets held by the municipal reporting entity in a purely custodial capacity.

CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(c) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest fund, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The City had no budget amendments for the year ended December 31, 2014.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for certain special purpose funds, capital project funds, trust and agency funds.

CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(c) Budgetary Information (Continued)

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by Federal regulations, other statutes or by the use of internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25<sup>th</sup>. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property on November 1<sup>st</sup>. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20<sup>th</sup> and May 10<sup>th</sup>. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1<sup>st</sup> and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20<sup>th</sup> of the ensuing year. Additional amounts are distributed on four subsequent dates throughout the calendar year.

(d) Annual, Personal and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted annual, personal and sick leave in varying amounts.

Full-time employees accrue vacation each year at the following rates:

- One to four years of service – ten days
- Five to nine years of service – fifteen days
- Ten to fourteen years of service – twenty days
- Fifteen to nineteen years of service – twenty-five days
- After twenty years of service – thirty days

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(d) Annual, Personal and Sick Leave Benefits (Continued)

Employees cannot carry over more than one half of the annual entitlement for the year in which it was earned. Upon termination or resignation, an employee on regular status shall be compensated for all authorized accumulated, unused vacation leave.

(e) Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

(f) Use of Estimates

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

3 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool (KMIP). The City has no investment policy that would further limit its investment choices.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

3 - Deposits and Investments (Continued)

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, and various other investments as specified in K.S.A. 10-131.

At December 31, 2014, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	<u>\$ 14</u>	S&P AAAs/S1+

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's investments were composed entirely of money market deposit accounts (ICS), KMIP deposits and certificates of deposit as of the fiscal year ended December 31, 2014.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require the deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

3 - Deposits and Investments (Continued)

At December 31, 2014, the City's carrying amount of deposits was \$ 4,411,140 and the bank balance was \$ 4,484,088. Of the bank balance, \$ 4,444,801 was covered by federal depository insurance, and the remaining balance of \$ 39,287 was uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4 - Defined Benefit Pension Plan

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or a Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

5 - Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

Changes in long-term debt for the City for the year ended December 31, 2014 were as follows:

Issue	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issued	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds:									
Series 2003-A	2.00% - 4.00%	4/15/2003	9/1/2017	\$ 1,180,000	\$ 105,000	\$ -	\$ 25,000	\$ 80,000	\$ 4,050
Series 2004-A	4.20% - 5.55%	6/1/2004	9/1/2014	2,650,000	120,000	-	120,000	-	5,520
Series 2005-A	3.75% - 4.375%	10/15/2005	9/1/2032	9,000,000	8,705,000	-	245,000	8,460,000	353,544
Series 2008-A	2.70% - 4.25%	4/29/2008	9/1/2014	1,080,000	45,000	-	45,000	-	1,463
Series 2009-A	4.10% - 5.25%	4/14/2009	9/1/2039	1,320,000	1,320,000	-	-	1,320,000	65,191
Series 2010 A	1.00% - 4.30%	4/28/2010	9/1/2030	1,285,000	1,180,000	-	40,000	1,140,000	44,963
Series 2010 B	6.00%	4/28/2010	9/1/2035	710,000	710,000	-	-	710,000	42,600
Series 2010 C	6.50% - 7.00%	12/7/2010	9/1/2040	1,080,000	1,080,000	-	-	1,080,000	73,700
Series 2010 D	4.60%	12/7/2010	9/1/2027	85,000	85,000	-	-	85,000	3,910
Series 2012 A	2.00% - 3.30%	6/6/2012	9/1/2034	4,475,000	4,325,000	-	215,000	4,110,000	98,273
Series 2013 A	2.30% - 5.00%	9/19/2013	9/1/2043	1,015,000	1,015,000	-	20,000	995,000	42,698
					\$ 18,690,000	\$ -	\$ 710,000	\$ 17,980,000	\$ 735,912



CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

5 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	2015	2016	2017	2018	2019	Year							Total
Principal:													
General obligation bonds:													
Series 2003-A	\$ 25,000	\$ 25,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
Series 2005-A	315,000	385,000	395,000	405,000	415,000	2,260,000	2,575,000	1,710,000	-	-	-	-	8,460,000
Series 2009-A	-	-	-	-	-	185,000	295,000	360,000	480,000	-	-	-	1,320,000
Series 2010 A	40,000	40,000	40,000	40,000	45,000	235,000	560,000	140,000	-	-	-	-	1,140,000
Series 2010 B	-	-	-	-	-	-	-	-	160,000	-	-	-	710,000
Series 2010C	-	-	-	-	-	-	165,000	370,000	445,000	100,000	-	-	1,080,000
Series 2010D	-	-	-	-	-	-	85,000	-	-	-	-	-	85,000
Series 2012A	330,000	280,000	285,000	325,000	330,000	1,545,000	680,000	335,000	-	-	-	-	4,110,000
Series 2013A	20,000	20,000	20,000	20,000	20,000	115,000	140,000	180,000	230,000	230,000	-	-	995,000
Total principal	730,000	750,000	770,000	790,000	810,000	4,340,000	4,500,000	3,645,000	1,315,000	330,000	-	-	17,980,000
Interest:													
General obligation bonds:													
Series 2003-A	\$ 3,125	\$ 2,175	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,500
Series 2005-A	344,356	332,544	318,106	303,294	288,106	1,189,149	702,424	150,244	-	-	-	-	3,628,223
Series 2009-A	65,191	65,191	65,191	65,191	65,191	314,706	260,596	182,665	77,565	-	-	-	1,161,487
Series 2010 A	44,203	43,303	42,263	41,063	39,783	174,570	107,885	6,020	-	-	-	-	499,090
Series 2010 B	27,690	27,690	27,690	27,690	27,690	138,450	138,450	657,836	166,240	-	-	-	1,239,426
Series 2010C	40,536	40,536	40,536	40,536	40,536	202,680	362,852	517,354	516,676	103,850	-	-	1,906,092
Series 2010D	3,910	3,910	3,910	3,910	3,910	19,550	8,970	-	-	-	-	-	48,070
Series 2012A	93,973	87,373	81,773	76,073	69,573	248,838	96,938	35,445	-	-	-	-	789,986
Series 2013A	44,485	44,025	43,565	43,105	42,645	203,685	178,350	141,625	93,250	29,250	-	-	863,985
Total interest	667,469	646,747	624,234	600,862	577,434	2,491,628	1,856,465	1,691,189	853,731	133,100	-	-	10,142,859
Total principal and interest	\$ 1,397,469	\$ 1,396,747	\$ 1,394,234	\$ 1,390,862	\$ 1,387,434	\$ 6,831,628	\$ 6,356,465	\$ 5,336,189	\$ 2,168,731	\$ 463,100	\$ -	\$ -	\$ 28,122,859

CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

5 - Long-Term Debt (Continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statement. As of December 31, 2014, there was one series of Industrial Revenue bonds outstanding, with a principal balance of \$ 3,500,000.

6 - Interfund Transfers

A reconciliation of transfers by fund type for 2014 follows:

From	To	Regulatory Authority	Amount
Electric Utility Investment Fund	General Fund	K.S.A. 79-2934	\$ 15,370
Water System Fund	General Fund	K.S.A. 12-825d	45,000
Water System Fund	Debt Service Fund	K.S.A. 12-825d	185,063
Sewer System Fund	Debt Service Fund	K.S.A. 12-825d	50,000
Special Highway Fund	Debt Service Fund	Bond Ord 2168	35,000
Water Development Fee Fund	Debt Service Fund	K.S.A. 12-825d	35,000
Capital Projects Fund	Debt Service Fund	Bond Ord 2168	20,000
Sewer Development Fee Fund	Debt Service Fund	K.S.A. 12-825d	60,000
General Fund	Capital Improvements Fund	K.S.A. 12-1, 118	206,835
CDBG Fund	Capital Improvements Fund	K.S.A. 12-1, 118	87,179
Special Parks and Recreation Fund	Capital Improvements Fund	K.S.A. 12-1, 118	24,000
Special Highway Fund	Capital Improvements Fund	K.S.A. 12-1, 118	119,000

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT  
(Continued)

7 - Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

8 - Lease Agreement

The City of De Soto continues to operate the water treatment plant at the former Sunflower Army Ammunition Plant, now owned by private developer Sunflower Redevelopment, LLC. The City's use is pursuant to a perpetual lease agreement dated July 29, 2005. Pursuant to a Real Estate Transfer Agreement dated July 29, 2005 between City of De Soto and Sunflower Redevelopment, LLC, the City will receive fee title interest to the treatment plant as soon as the land receives a CERCLA Covenant pursuant to 42 U.S.C. § 9620(h)(3)(A)(ii). The City initiated improvements to the water treatment plant site in 2010; the improvements included a back-up electrical generator, the installation of new electrical service to the plant, and a new water main leading from the plant to the City's distribution system. Construction was completed in 2011. The City, in conjunction with the City of Baldwin, City of Wellsville, and Douglas County Rural Water District #4, completed a broader water facilities study in 2012; the study evaluated the concept and costs of creating a regional wholesale water supply district. Proceeding with the creation of a regional wholesale water supply district does not appear feasible at the present time due to the City of Baldwin deciding not to participate.

9 - Interfund Balances

The Electric Utility Investment Fund has advanced money to the General Fund and Water Fund for the purchase of vehicles in the amount of \$ 360,102 which includes \$ 118,000 during 2014. The General Fund and Water Fund paid the Electric Utility Investment Fund \$ 56,878 in 2014 for repayment of the vehicle advance. The balance of the advance remaining at December 31, 2014 was \$ 138,514.

CITY OF DE SOTO, KANSAS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

10 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement of the City as of December 31, 2014.

11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.

## SUPPLEMENTARY INFORMATION

## CITY OF DE SOTO, KANSAS

SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(BUDGETED FUNDS ONLY)

Year Ended December 31, 2014

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General fund	\$ 3,041,185	\$ -	\$ 3,041,185	\$ 2,931,266	\$ (109,919)
Special purpose funds:					
Law enforcement	437,611	-	437,611	434,611	(3,000)
Special highway	154,000	-	154,000	154,000	-
Special parks and recreation	24,000	-	24,000	24,000	-
Transient guest tax	22,000	-	22,000	22,000	-
Sponsorship	4,600	-	4,600	937	(3,663)
Water development fee	35,000	-	35,000	35,000	-
Sewer development fee	60,000	-	60,000	60,000	-
Bond and interest fund	2,070,364	-	2,070,364	1,445,910	(624,454)
Business funds:					
Water system	1,471,140	-	1,471,140	1,324,110	(147,030)
Sewer system	455,700	-	455,700	414,101	(41,599)
Refuse system	435,100	-	435,100	424,215	(10,885)
Totals	<u>\$ 8,210,700</u>	<u>\$ -</u>	<u>\$ 8,210,700</u>	<u>\$ 7,270,150</u>	

CITY OF DE SOTO, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS

Year Ended December 31, 2014

	Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Property taxes	\$ 400,419	\$ 420,190	\$ 19,771
Sales and use taxes	1,205,000	1,268,521	63,521
Intergovernmental	11,000	12,961	1,961
Licenses and permits	26,450	36,764	10,314
Franchise fee	567,600	630,072	62,472
Charges for services	93,700	83,051	(10,649)
Use of money and property	61,800	61,441	(359)
Fines and fees	262,000	340,427	78,427
Miscellaneous	1,000	6,780	5,780
Interest income	5,000	5,234	234
Transfers in	75,000	60,370	(14,630)
Total receipts and transfers	<u>\$ 2,708,969</u>	<u>2,925,811</u>	<u>\$ 216,842</u>
Expenditures, encumbrances and transfers:			
Personal services	\$ 1,680,700	\$ 1,570,712	\$ (109,988)
Contractual services	817,327	780,215	(37,112)
Commodities	305,600	270,098	(35,502)
Capital outlay	115,723	103,406	(12,317)
Transfers out	121,835	206,835	85,000
Total expenditures, encumbrances and transfers	<u>\$ 3,041,185</u>	<u>2,931,266</u>	<u>\$ (109,919)</u>
Receipts and transfers under expenditures, encumbrances and transfers		(5,455)	
Unencumbered cash, beginning		<u>778,584</u>	
Unencumbered cash, ending		<u>\$ 773,129</u>	

(Continued)

CITY OF DE SOTO, KANSAS

LAW ENFORCEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	Budget	Actual	Variance Over (Under)
Receipts:			
Property taxes	\$ 412,037	\$ 420,526	\$ 8,489
Expenditures and encumbrances:			
Contractual services	\$ 434,611	434,611	\$ -
Capital outlay	3,000	-	(3,000)
Total expenditures and encumbrances	\$ 437,611	434,611	\$ (3,000)
Receipts under expenditures and encumbrances		(14,085)	
Unencumbered cash, beginning		35,085	
Unencumbered cash, ending		\$ 21,000	

(Continued)



CITY OF DE SOTO, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Intergovernmental	<u>\$ 151,430</u>	\$ 152,472	<u>\$ 1,042</u>
Transfers:			
Transfers out	<u>\$ 154,000</u>	<u>154,000</u>	<u>\$ -</u>
Receipts under transfers		(1,528)	
Unencumbered cash, beginning		<u>4,921</u>	
Unencumbered cash, ending		<u>\$ 3,393</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Intergovernmental	\$ 11,000	\$ 12,961	\$ 1,961
Charges for services	<u>12,000</u>	<u>12,631</u>	<u>631</u>
Total receipts	<u>\$ 23,000</u>	<u>25,592</u>	<u>\$ 2,592</u>
Transfers:			
Transfers out	<u>\$ 24,000</u>	<u>24,000</u>	<u>\$ -</u>
Receipts over transfers		1,592	
Unencumbered cash, beginning		<u>3,146</u>	
Unencumbered cash, ending		<u>\$ 4,738</u>	

(Continued)

CITY OF DE SOTO, KANSAS

TRANSIENT GUEST TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Intergovernmental	<u>\$ 19,000</u>	\$ 18,129	<u>\$ (871)</u>
Expenditures:			
Contractual services	<u>\$ 22,000</u>	<u>22,000</u>	<u>\$ -</u>
Receipts under expenditures		(3,871)	
Unencumbered cash, beginning		<u>15,086</u>	
Unencumbered cash, ending		<u>\$ 11,215</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SPONSORSHIP FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Charges for services	<u>\$ 4,650</u>	\$ 7,075	<u>\$ 2,425</u>
Expenditures:			
Contractual services	<u>\$ 4,600</u>	<u>937</u>	<u>\$ (3,663)</u>
Receipts over expenditures		6,138	
Unencumbered cash, beginning		<u>4,730</u>	
Unencumbered cash, ending		<u>\$ 10,868</u>	

(Continued)

CITY OF DE SOTO, KANSAS

WATER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Charges for services	<u>\$ 10,000</u>	\$ 22,000	<u>\$ 12,000</u>
Transfers:			
Transfers out	<u>\$ 35,000</u>	<u>35,000</u>	<u>\$ -</u>
Receipts under transfers		(13,000)	
Unencumbered cash, beginning		<u>59,708</u>	
Unencumbered cash, ending		<u>\$ 46,708</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SEWER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Charges for services	<u>\$ 15,000</u>	\$ 39,800	<u>\$ 24,800</u>
Transfers:			
Transfers out	<u>\$ 60,000</u>	<u>60,000</u>	<u>\$ -</u>
Receipts under transfers		(20,200)	
Unencumbered cash, beginning		<u>66,750</u>	
Unencumbered cash, ending		<u>\$ 46,550</u>	

(Continued)

CITY OF DE SOTO, KANSAS

ELECTRIC UTILITY INVESTMENT FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts:	
Interest income	\$ 15,370
Charges for services	<u>59,779</u>
Total receipts	<u>75,149</u>
Expenditures and transfers:	
Capital outlay	87,076
Transfers out	<u>15,370</u>
Total expenditures and transfers	<u>102,446</u>
Receipts under expenditures and transfers	(27,297)
Unencumbered cash, beginning	<u>1,641,459</u>
Unencumbered cash, ending	<u><u>\$ 1,614,162</u></u>

\* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

ENHANCEMENT COMMUNITY FOUNTAIN FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Unencumbered cash, beginning	\$ 990
Unencumbered cash, ending	<u>\$ 990</u>

\* This fund is not required to be budgeted.

(Continued)



CITY OF DE SOTO, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	\$ 846,873	\$ 905,338	\$ 58,465
Miscellaneous	43,893	44,614	721
Transfers in	492,498	385,063	(107,435)
Interest income	4,000	8	(3,992)
Special assessments	40,645	6,050	(34,595)
Total receipts and transfers	<u>\$ 1,427,909</u>	<u>1,341,073</u>	<u>\$ (86,836)</u>
Expenditures:			
Bond principal	\$ 690,000	710,000	\$ 20,000
Interest expense	763,276	735,910	(27,366)
Cash basis reserve	617,088	-	(617,088)
Total expenditures	<u>\$ 2,070,364</u>	<u>1,445,910</u>	<u>\$ (624,454)</u>
Receipts and transfers under expenditures		(104,837)	
Unencumbered cash, beginning		<u>692,331</u>	
Unencumbered cash, ending		<u>\$ 587,494</u>	

(Continued)

CITY OF DE SOTO, KANSAS

CAPITAL PROJECTS FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts:	
Intergovernmental	\$ 34,360
Transfers:	
Transfers out	<u>20,000</u>
Receipts over transfers	14,360
Unencumbered cash, beginning	<u>40,047</u>
Unencumbered cash, ending	<u>\$ 54,407</u>

\* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

CAPITAL IMPROVEMENTS FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts and transfers:	
Intergovernmental	\$ 165,435
Transfers in	<u>437,014</u>
Total receipts and transfers	602,449
Expenditures:	
Capital outlay	<u>1,286,801</u>
Receipts and transfers under expenditures	(684,352)
Unencumbered cash, beginning	<u>1,036,968</u>
Unencumbered cash, ending	<u><u>\$ 352,616</u></u>

\* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

CDBG FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts:	
Grant proceeds	\$ 87,179
Transfers:	
Transfers out	<u>87,179</u>
Receipts over transfers	-
Unencumbered cash, beginning	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>

\* This fund is not required to be budgeted.

(Continued)

## CITY OF DE SOTO, KANSAS

## WATER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
 REGULATORY BASIS  
 (Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Sales to consumers	<u>\$ 1,404,094</u>	<u>\$ 1,355,070</u>	<u>\$ (49,024)</u>
Expenditures, encumbrances and transfers:			
Personal services	487,500	485,895	(1,605)
Contractual services	391,500	324,357	(67,143)
Commodities	350,271	271,909	(78,362)
Capital outlay	11,806	11,886	80
Transfer out	<u>230,063</u>	<u>230,063</u>	<u>-</u>
Total expenditures, encumbrances and transfers	<u>\$ 1,471,140</u>	<u>1,324,110</u>	<u>\$ (147,030)</u>
Receipts over expenditures, encumbrances and transfers		30,960	
Unencumbered cash, beginning		<u>391,573</u>	
Unencumbered cash, ending		<u>\$ 422,533</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SEWER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 506,163	\$ 460,728	\$ (45,435)
Expenditures, encumbrances and transfers:			
Personal services	133,000	131,334	(1,666)
Contractual services	194,300	177,408	(16,892)
Commodities	78,400	55,359	(23,041)
Transfer out	50,000	50,000	-
Total expenditures, encumbrances and transfers	\$ 455,700	414,101	\$ (41,599)
Receipts over expenditures, encumbrances and transfers		46,627	
Unencumbered cash, beginning		178,266	
Unencumbered cash, ending		\$ 224,893	

(Continued)

CITY OF DE SOTO, KANSAS

REFUSE SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Sales to consumers	<u>\$ 431,650</u>	\$ 417,437	<u>\$ (14,213)</u>
Expenditures and encumbrances:			
Contractual services	<u>\$ 435,100</u>	<u>424,215</u>	<u>\$ (10,885)</u>
Receipts under expenditures and encumbrances		(6,778)	
Unencumbered cash, beginning		<u>34,431</u>	
Unencumbered cash, ending		<u>\$ 27,653</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SHOP FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts:	
Charges for services	\$ 171,200
Expenditures and encumbrances:	
Commodities	162,118
Contractual services	11,336
Capital outlay	2,234
Total expenditures and encumbrances	175,688
Receipts under expenditures and encumbrances	(4,488)
Unencumbered cash, beginning	(2,890)
Unencumbered cash, ending	\$ (7,378)

\* This fund is not required to be budgeted.

(Continued)



CITY OF DE SOTO, KANSAS

SHUGHART TRUST FUND\*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
(Continued)

Year Ended December 31, 2014

Receipts:	
Interest income	\$ 50
Unencumbered cash, beginning	<u>23,114</u>
Unencumbered cash, ending	<u>\$ 23,164</u>

\* This fund is not required to be budgeted.

## CITY OF DE SOTO, KANSAS

## AGENCY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS  
REGULATORY BASIS

Year Ended December 31, 2014

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
IRB fund	\$ 3,058	\$ -	\$ -	\$ 3,058
Municipal court fund	20,963	22,330	29,047	14,246
	<u>\$ 24,021</u>	<u>\$ 22,330</u>	<u>\$ 29,047</u>	<u>\$ 17,304</u>